ANNUAL REPORT **2004**

responsib

progressive

accountable

Corporate Profile

The Nova Scotia Gaming Corporation (NSGC) is a Crown Corporation governed by the provincial *Gaming Control Act*.

The Nova Scotia government and ultimately the people of Nova Scotia are the shareholders and owners of the gaming industry in the province. The industry is licensed and regulated by the Alcohol and Gaming Division of the Department of Environment and Labour. The industry is managed by NSGC. Our role is to make sure the gaming industry is as socially responsible as possible, while generating reasonable profits. The provincial government makes the big picture, policy decisions about how the industry will be operated and regulated in Nova Scotia. NSGC manages and implements those decisions. We also oversee and manage the gaming operators who carry out the day-to-day business of gaming — Casino Nova Scotia and Atlantic Lottery Corporation.

Gaming revenues go directly into the general revenues of the government and help pay for programs and services that benefit all Nova Scotians. In 2004-05, $187.3 million was paid to the province to help build better services and better communities. To put the potential impact of this money in context, $187.3 million would pay for the construction of 23 elementary schools, the salaries of 2,800 nurses, the construction of 117 kilometres of new twinned-lane highway or the repaving of 1,070 kilometres of roads in Nova Scotia.

At NSGC, we are world leaders in responsible gaming initiatives and we exist to ensure the gambling sector in the province reflects the values and beliefs of Nova Scotians. We work to generate profits that improve the lives of Nova Scotians by funding roads, schools, healthcare and social programs, while always working to mitigate and lessen the risks associated with gambling.

Board of Directors

(Seated)

CHAIR – C. Sean O'Connor, CA
Vice President, Business Development
Municipal Group of Companies, Bedford, Nova Scotia

(Left to right)

DIRECTOR – Peter Fardy
Vice President, Advancement
St. Francis Xavier University, Antigonish, Nova Scotia

DIRECTOR – Charles F. Cox
Barrister and Solicitor
C.F. Cox Law Office, Truro, Nova Scotia

DIRECTOR – Stephen Mont
Barrister and Solicitor
Dartmouth, Nova Scotia

DIRECTOR – John Khattar
Barrister and Solicitor
Sydney, Nova Scotia

105-06373/

Table of Contents

Message from the President and CEO 2

Responsible In Our Actions 5

Progressive In Our Approach 9

Accountable to All Nova Scotians 13

Summary of Results 16

Financial Statements 17

- Management Responsibilities for Financial Reporting 17
- Auditor's Report 17
- Balance Sheet 18
- Statement of Income and Payment to Province/Statement of Retained Earnings 19
- Statement of Cash Flows 20
- Notes to the Financial Statements 21
- Schedule I – Ticket Lottery and Video Lottery Operating Results 29
- Schedule II – Halifax Casino Operating Results 30
- Schedule III – Sydney Casino Operating Results 31
- Schedule IV – Other Revenues and Expenses 32

responsible...progressive...accountable

Message from the President and CEO

The overriding theme of 2004-05 was change. As we all know, change is never easy, but if an organization is committed to being forward-looking and innovative, it is always necessary. At the Nova Scotia Gaming Corporation (NSGC), we have been evolving and laying the groundwork for dramatic change in our industry for several years. We recognized the status quo was not an option. Without change, we knew the gaming industry in this province would not survive because it did not meet our citizens' expectations surrounding social responsibility.

We knew the time had come for a profound and renewed commitment to social responsibility. That is why NSGC initiated Nova Scotia's, and in fact Canada's, first fully-integrated gaming strategy, "A Better Balance". We knew we needed change in our industry and that we had to work in partnership with stakeholders across Nova Scotia to affect real and lasting change. The province's gaming strategy represents a new era for the gaming industry and for NSGC as the steward of that industry. The strategy couldn't be any clearer. We are about social responsibility first and revenue second. That means all of our decisions about gaming in Nova Scotia will now be made through the lens of social responsibility. We, at NSGC, are extremely proud to be leading this philosophical shift. It's something we've been moving towards internally for sometime, and we are pleased to now be going forward with the full support of government and with clear accountabilities to the people of Nova Scotia. We strongly believe that building a balanced and responsible industry is the right thing to do. We know it is the right direction for our province, our communities and the people of Nova Scotia.

Even though we are making progress, there is no question that gaming is a controversial subject, evidenced by the significant media coverage and political attention dedicated to this issue in the past year. I am the first to acknowledge that the industry is not perfect. There are problems and addictions, and these will not be solved overnight. The important thing is that the gaming strategy is a significant step in the right direction. We already have the lowest rate of problem gambling in Canada, but that's not good

NSGC President and CEO, Marie Mullally, at Dooly's in Windsor, a retailer participating in the Card-Based Responsible Gaming Research Project.

Message from the President and CEO

The overriding theme of 2004-05 was change. As we all know, change is never easy, but if an organization is committed to being forward-looking and innovative, it is always necessary. At the Nova Scotia Gaming Corporation (NSGC), we have been evolving and laying the groundwork for dramatic change in our industry for several years. We recognized the status quo was not an option. Without change, we knew the gaming industry in this province would not survive because it did not meet our citizens' expectations surrounding social responsibility.

We knew the time had come for a profound and renewed commitment to social responsibility. That is why NSGC initiated Nova Scotia's, and in fact Canada's, first fully-integrated gaming strategy, "A Better Balance". We knew we needed change in our industry and that we had to work in partnership with stakeholders across Nova Scotia to affect real and lasting change. The province's gaming strategy represents a new era for the gaming industry and for NSGC as the steward of that industry. The strategy couldn't be any clearer. We are about social responsibility first and revenue second. That means all of our decisions about gaming in Nova Scotia will now be made through the lens of social responsibility. We, at NSGC, are extremely proud to be leading this philosophical shift. It's something we've been moving towards internally for sometime, and we are pleased to now be going forward with the full support of government and with clear accountabilities to the people of Nova Scotia. We strongly believe that building a balanced and responsible industry is the right thing to do. We know it is the right direction for our province, our communities and the people of Nova Scotia.

Even though we are making progress, there is no question that gaming is a controversial subject, evidenced by the significant media coverage and political attention dedicated to this issue in the past year. I am the first to acknowledge that the industry is not perfect. There are problems and addictions, and these will not be solved overnight. The important thing is that the gaming strategy is a significant step in the right direction. We already have the lowest rate of problem gambling in Canada, but that's not good

NSGC President and CEO, Marie Mullally, at Dooly's in Windsor, a retailer participating in the Card-Based Responsible Gaming Research Project.

enough. We want to do more, and this strategy is a clear indication that we are going to do more to treat and prevent problem gambling in our province.

We are also proud of the fact that NSGC is recognized as a world leader in our industry. Many experts acknowledge that we do more tangible work to promote responsible gambling and social responsibility than any other jurisdiction in the country. We also lead the way in technology and innovation, doing groundbreaking research on responsible gaming that has never been done anywhere else in the world. We firmly believe that a regulated, controlled, legal industry is better than an illegal, unrestricted industry with no protection for players, and we constantly strive to find and test new ways to make the industry safer and better regulated.

We may be leading the way, but we always recognize there is more to be done. This year has been a turning point that will take us in new and important directions. We welcome and embrace that journey and the changes that will come with it. I look forward to the continued strong and strategic leadership provided by NSGC's Board of Directors. I also want to recognize the NSGC team for their support and dedication in the face of many challenges and opportunities over the past year.

And finally, in closing, I would like to highlight our new NSGC logo. It's a tangible representation of the metamorphosis we are undergoing in action and approach. It uses the tag line, "Responsible, Progressive, Accountable." These words will be the anchor that keeps us on course in the changing and challenging times ahead. If we are responsible in our actions, progressive in our approach, and accountable to all Nova Scotians, our industry and our province will benefit. That is our new bottom line.

Marie T. Mullally, CA
President and Chief Executive Officer
Nova Scotia Gaming Corporation

"The gaming strategy is a significant step in the right direction. We already have the lowest rate of problem gambling in Canada, but that's not good enough. We want to do more, and this strategy is a clear indication that we are going to do more to treat and prevent problem gambling in our province."

Marie Mullally

Photo Credit: An

Actors from the "Theatre to Go" company perform "Caught in the Game" at Northeast Kings Education Centre in Canning, Nova Scotia.

"The play was a tremendous experience. It provided the students with awareness of responsible gaming. The presenters even took the time to talk with the students after the play and really explore the students' thoughts and feelings. This interactive element was an extremely important dimension. It increased their awareness and showed the realities of irresponsible gambling. It reached the students, it was relevant, and it had an impact."

Everett MacPherson, Principal of Northeast Kings Education Centre

Photo Credit: Anthony Cooper

Actors from the "Theatre to Go" company perform "Caught in the Game" at Northeast Kings Education Centre in Canning, Nova Scotia.

"The play was a tremendous experience. It provided the students with awareness of responsible gaming. The presenters even took the time to talk with the students after the play and really explore the students' thoughts and feelings. This interactive element was an extremely important dimension. It increased their awareness and showed the realities of irresponsible gambling. It reached the students, it was relevant, and it had an impact."

Everett MacPherson, Principal of Northeast Kings Education Centre

Responsible In Our Actions

This year, NSGC spent more than $1 million on programs to educate and inform the people of Nova Scotia about the risks associated with gambling. Our message is simple - if you decide to gamble, be informed, know the risks, manage your play and never wager more than you can afford to lose. Gambling is about entertainment. It's not a way to make money. Our goal is to arm people with these messages and the tools they need to make good decisions. We are working to prevent people from becoming problem gamblers because when that happens, we all lose.

This year, we pioneered a number of responsible gambling programs and we are pleased to report on their success.

Caught in the Game

In February 2005, NSGC sponsored the delivery of a theatrical production called Caught in the Game, a play designed to educate and raise awareness of responsible gaming and problem gambling. Based on an award-winning short story by an Ontario high school student, the drama explores some of the issues facing a young man and those around him when his gambling spirals out of control. Caught in the Game is an innovative and interactive drama that provided 500 students at two Nova Scotia high schools with a compelling look at the risks of gambling and information on where to go for help. The play, and the interactive discussion that followed, was met with extremely positive feedback. More than 90% of those who saw the play found it to be an informative and effective means of conveying messages about problem gambling. Based on these results and the feedback of students and educators, NSGC's High School Drama program will be expanded and delivered across the province to even more students next year.

Responsible Gaming Awareness Week

Through Nova Scotia's third annual Responsible Gaming Awareness Week (RGAW), held in October 2004, we increased our commitment to educating and informing our community. In this year's expanded schedule, events were held in five areas of the province: Halifax Regional Municipality, Cape Breton Regional Municipality, Truro, Kentville and Bridgewater. By reaching out to populations in these five targeted communities, we were able to bring our important messages about responsible gaming to 60% of Nova Scotians.

The theme for 2004's program was "Everyone Needs a Game Plan", which emphasized the need for education, informed decision-making and planning to approach all

responsible

"I was really impressed with the play. I had never really thought gambling was a big concern because it's not something that I see everyday, but this play had a strong message in reminding me how dangerous it can be. I know that it is not something to take lightly. I think it is a really good idea that they came to our school to teach kids about gambling."

Erica Rand, Grade 12 student at Northeast Kings Education Centre

NSGC President and CEO, Marie Mullally, launches the "Know the Score" program at Cape Breton University with Laurie Bell, Responsible Gambling Council (left) and Norm Smith, Director of Student Services at CBU (right).

NSGC President and CEO, Marie Mullally, launches the "Know the Score" program at Cape Breton University with Laurie Bell, Responsible Gambling Council (left) and Norm Smith, Director of Student Services at CBU (right).

gaming activities in a responsible manner. More than 2,800 people either attended awareness sessions and speeches, or received information from community outreach displays in shopping malls throughout the province. The tremendous efforts of those involved in 2004's RGAW resulted in increased public awareness of the importance of responsible gambling. After RGAW, 65% of people in our targeted communities told us they were aware of specific responsible gaming initiatives and 87% of Nova Scotians told us they supported our annual Responsible Gaming Awareness Week.

Know the Score

Know the Score is an interactive, peer-led program that was introduced by NSGC in October of 2004. It is designed to give young adults, aged 19 to 24, the facts about responsible gaming as well as raise awareness about the risks associated with gambling. It was piloted at Dalhousie University in Halifax and at Cape Breton University in Sydney. NSGC is the second province in Canada to adopt this program, which was successfully introduced in Ontario by the Responsible Gambling Council. The pilot was very well-received, with more than 2,200 visitors to the interactive on-campus education booths. After the Know the Score program, 82% of students from these two campuses indicated their awareness of the risks associated with gambling increased and 88% said they learned where to go to get help. Based on the success of the pilot, the Know the Score program was expanded to six post-secondary campuses in Nova Scotia in January and February 2005. This program reached a total of almost 5,000 Nova Scotia students.

Play By Play

The Play By Play program is an innovative outreach and education tool that was introduced across the province in October 2004. It is designed to provide VLT players with information and tools that encourage and support responsible VLT use. A series of four brochures and education posters were distributed to all 480 video lottery retail sites in the province. The brochures deliver messages about responsible gaming and the risks of problem gambling in a direct and practical manner, dispelling myths about gaming and offering tools and tips to encourage and facilitate responsible gaming choices. The brochures include: "It's a fact", "Set your budget before you place your bets", "Know where you stand before you sit down to play", and a VLT player's log book.

Play By Play is one of the first programs of its kind in the world. NSGC tested the program with VLT players and worked with an independent research firm to validate the messages and test the effectiveness of the program. So far, 150,000 brochures have been distributed to VLT sites across the province.

responsible

Dooly's patron plays a VLT equipped with a card-based Responsible Gaming Device in Windsor.

"There is great promise in the use of card-based technology in the prevention of problem gambling. The best way to understand the impact of this technology is to pilot it – to actually try it out. This research by NSGC is very important. It will be watched by governments and gaming operators throughout North America."

Jon Kelly, CEO of the Responsible Gambling Council

Dooly's patron plays a VLT equipped with a card-based Responsible Gaming Device in Windsor.

"There is great promise in the use of card-based technology in the prevention of problem gambling. The best way to understand the impact of this technology is to pilot it – to actually try it out. This research by NSGC is very important. It will be watched by governments and gaming operators throughout North America."

Jon Kelly, CEO of the Responsible Gambling Council

Progressive In Our Approach

Research and evaluation are the cornerstones of our approach to innovation. There is very little mature research in the area of responsible gaming, or gambling in general. At NSGC, we spend considerable time and effort conducting research and testing new ideas and approaches to find ways to make the gaming environment safer and better regulated.

Last year, we spent more than $1 million on a variety of research projects and we are pleased to report on our results.

Card-Based Responsible Gaming

This past year, NSGC devoted much time and energy to developing an innovative and important research project designed to test a new approach that could potentially help make VLTs more socially responsible.

NSGC is partnering with Techlink Entertainment International, a Nova Scotia company, to do focus group and field testing of a Responsible Gaming Device (RGD) that is attached to VLTs and requires the use of player cards in order to play.

NSGC worked with two independent research firms, one to develop the methodology and a second to conduct the actual research. The field test research started in spring 2005 and will be conducted in four stages over the next 14 months with an independent ethics review after the completion of stage one. NSGC has and will continue to consult with a wide range of experts to ensure this research follows strict guidelines and leads to accurate and reliable results.

In March 2005, NSGC installed the RGD on 70 machines in ten different sites in Windsor and Mount Uniacke. The RGD, and the player cards that go with them, will allow players to track their VLT play behaviours and access responsible gaming tools and features to help them better manage their play. These features include account management tools that allow players to track exactly how much they are spending and play management features that allow people to set spending limits and restrict their play on certain days and times.

During stage one, 120 pre-recruited VLT players will voluntarily participate in the research project. Stage two will include an independent ethics review and evaluation of stage one findings and results, leading to adjustments in the process where applicable. Stage three will see full-scale implementation of the RGD so that all players in Windsor and Mount Uniacke will need a card to play VLTs in this area during this six-month

NSGC President and CEO, Marie Mullally, in Truro with Jamie Metlin, Manager, Lock and Key Lounge, launching Play by Play, a responsible gaming program designed to educate VLT players by providing them the information they need to make responsible and informed decisions.

NSCC President and CEO, Marie Mullally, in Truro with Jamie Metlin, Manager, Lock and Key Lounge, launching Play by Play, a responsible gaming program designed to educate VLT players by providing them the information they need to make responsible and informed decisions.

period. Stage four will evaluate the research data and determine if a card-based system is effective in helping players make responsible play decisions, and whether a system like this is something that should be implemented on all VLTs across the province.

This groundbreaking technology has never been implemented anywhere in the world. NSGC will anxiously await the research findings, which have the potential to revolutionize the way players gamble on VLTs by introducing a whole new level of social responsibility and safeguards.

Self-Exclusion Research Project

This past year, NSGC completed a research study on the possibility of introducing a VLT self-exclusion program in Nova Scotia. Anti-VLT advocates raised the idea of a self-exclusion program and NSGC agreed to test it. Basically, the idea was that VLT problem gamblers who didn't want to gamble could sign an exclusion form and put their photo on file at VLT sites. Bar staff would then be tasked with identifying excluded gamblers.

The concept was tested with volunteers in a sampling of retail sites and the research concluded that a self-exclusion program that relies on third-party visual identification is not feasible. The bar staff who took part in the study were only able to accurately identify self-excluded gamblers 23% of the time, a rate of identification that is not nearly good enough to ensure the support these problem gamblers need. Despite these findings, this research was valuable because it provided definitive findings that a self-exclusion program that relies on visual identification won't work for Nova Scotia's VLT program. The research instead recommended focusing resources on exploring smart card options for self-exclusion, which is currently underway.

progressive

Research and evaluation are the cornerstones of our approach to innovation.

"The most important principle that has been adopted relates to the policy that social responsibility is the first priority and trumps the generation of revenue. This constitutes 'leading edge' policy in the field of government-owned and operated gaming and Nova Scotia is to be congratulated for its courage of conviction."

Stan Sadinsky, Former Chair of Ontario Lottery and Gaming Corporation

"The people of Nova Scotia should be proud that their government is taking a leadership role in addressing concerns about gambling regulation."

David Hodgins, Professor of Psychology, University of Calgary

"I am very impressed with this initiative. In my closing summary at the recent Alberta Gaming Research Institute in Edmonton, I referred to Nova Scotia as the bellwether province when it comes to gaming policy and responsible gaming initiatives."

Harold Wynne Ph.D., Adjunct Professor of Policy Studies, University of Alberta

"The most important principle that has been adopted relates to the policy that social responsibility is the first priority and trumps the generation of revenue. This constitutes 'leading edge' policy in the field of government-owned and operated gaming and Nova Scotia is to be congratulated for its courage of conviction."

Stan Sadinsky, Former Chair of Ontario Lottery and Gaming Corporation

"The people of Nova Scotia should be proud that their government is taking a leadership role in addressing concerns about gambling regulation."

David Hodgins, Professor of Psychology, University of Calgary

"I am very impressed with this initiative. In my closing summary at the recent Alberta Gaming Research Institute in Edmonton, I referred to Nova Scotia as the bellwether province when it comes to gaming policy and responsible gaming initiatives."

Harold Wynne Ph.D., Adjunct Professor of Policy Studies, University of Alberta

Accountable to All Nova Scotians

Our job is to build a gaming industry that corresponds with the expectations and values of Nova Scotians because after all, they are the owners of our industry. We are directly accountable to the taxpayers of the province and we take this responsibility very seriously. Our goal is to be open and transparent while constantly demonstrating how every action and decision relates to the mandate the people of the province have entrusted us with.

We are pleased to report on the strategic initiatives, community projects and financial achievements that underpin our accountabilities for this year.

Gaming Strategy

NSGC was proud to lead the way in initiating "A Better Balance: Nova Scotia's First Gaming Strategy", which was released in April 2005. The strategy launched 23 initiatives that will change the face of the gaming industry in Nova Scotia by introducing greater balance and social responsibility.

This strategy was developed through the hard work and input of many Nova Scotians, including stakeholders in communities around the province. This included problem gambling groups, treatment and prevention professionals, researchers, charities and many others. We worked to strike the right balance and find the best solutions.

Within government, the work of developing the strategy was an integrated effort. Leadership was provided by a steering committee comprised of senior officials from government departments and agencies with responsibility for gaming in the province.

The strategy is based upon a strong commitment to treatment and prevention. The strategy will ensure that treatment will be there in the right place at the right time to support the individuals and families most affected by problem gambling. We will also ensure that solid prevention initiatives are in place to realize a better future with fewer new cases of problem gambling.

NSGC is committed to significant, comprehensive change in order to achieve a responsible gaming environment that benefits Nova Scotians and their communities over the next five years. The government's gaming strategy includes a number of targeted initiatives, including removing 1,000 VLTs, reducing VLT hours by eliminating the 12 midnight to close timeframe, slowing down play by removing the "Stop" button feature on all VLTs and reducing the speed of games by 30%. This strategy also sees the government committing an

accountable

We are directly accountable to the taxpayers of the province and we take this responsibility very seriously.

NOVA SCOTIA GAMING STRUCTURE

PROVINCE OF NOVA SCOTIA
SHAREHOLDER

NOVA SCOTIA GAMING CORPORATION
BOARD OF DIRECTORS

NOVA SCOTIA GAMING CORPORATION

CASINO NOVA SCOTIA
OPERATOR

ATLANTIC LOTTERY CORPORATION
OPERATOR

HALIFAX CASINO

SYDNEY CASINO

VIDEO LOTTERY

TICKET LOTTERY

additional $3 million to treatment and prevention and $1.6 million for responsible gaming initiatives in 2005-06. We look forward to working with governments, communities and individuals across Nova Scotia to make this strategy a reality.

Achieving Financial Targets

An important area of accountability is achieving our financial targets, and that doesn't always mean making more money. It simply means achieving the strategic financial targets we agree on at the start of any given year with the government and the taxpayers of the province.

The 2004-05 Payment to Province was $187.3 million, which exceeded 2003-04 Payment to Province by $12.2 million or 7.0%. This was the result of strong financial performance at the Halifax Casino and in the video lottery business line which combined exceeded Net Income budgets by $24.7 million. Ticket Lottery performance in 2004-05 was lower than 2003-04 and lower than its 2004-05 budget, as this business line was not able to achieve its sales targets in several product categories.

Next year, under the province's new gaming strategy our goal will actually be to reduce revenue from VLTs. Overall, revenues from VLTs are expected to decrease by $20.1 million as a result of a combination of natural growth of $9.8 million that would normally occur in any given year, offset by initiatives announced in the gaming strategy that are estimated to reduce revenues by $29.9 million from VLTs. This is an important strategic target and demonstrates that success doesn't always mean increased profitability. Sometimes, as will be the case next year, success means achieving greater balance and social responsibility in a way that is tangibly demonstrated in a smaller bottom line. That's true accountability in action.

Engaging Our Community

There is continued emphasis on NSGC's responsibility to report to its shareholder, the Government of Nova Scotia, and to inform the public of gaming industry activities. Over the last year, NSGC staff met with key stakeholders of the gaming sector to ensure a reciprocal understanding of the industry's challenges and opportunities. NSGC also corresponded with relevant municipalities, chambers and other gaming jurisdictions to provide information on responsible gaming initiatives and business-related updates.

In addition, NSGC met with senior representatives of its operators, Atlantic Lottery Corporation and Casino Nova Scotia, on a monthly basis to monitor activities and ensure compliance with regulation, responsible gaming activities and their respective 2004-05 business plans.

Perhaps NSGC's most significant communications efforts in the past year were concentrated around the province's gaming strategy process. The gaming strategy effort involved the distribution of more than 2,300 gaming strategy-related documents and feedback forms to gaming sector stakeholders around the province. More than 150 individuals and/or organizations participated in

NOVA SCOTIA GAMING STRUCTURE

PROVINCE OF NOVA SCOTIA
SHAREHOLDER

NOVA SCOTIA GAMING CORPORATION
BOARD OF DIRECTORS

NOVA SCOTIA GAMING CORPORATION

CASINO NOVA SCOTIA
OPERATOR

ATLANTIC LOTTERY CORPORATION
OPERATOR

HALIFAX CASINO

SYDNEY CASINO

VIDEO LOTTERY

TICKET LOTTERY

sessions to discuss the future direction of gaming in Nova Scotia. In addition, we communicated with the public in a variety of ways, including print advertising, information on the Government's main homepage, a government 1-800 number and additional distribution of the gaming strategy discussion paper through Access Nova Scotia sites. As a result of these efforts to engage Nova Scotians, approximately 150 written submissions were received and 29 stakeholder sessions were conducted. This feedback presented the views of thousands of Nova Scotians to government, so their voices could be heard and their feedback included in these important discussions on the future of gaming in Nova Scotia.

Supporting Our Community

The gaming industry brings many benefits to our province - eleven hundred jobs and $187.3 million in 2004-05 to build roads, schools, communities and hospitals in Nova Scotia. We live here, we work here and we want to make our province better.

In 2004-05, we dedicated $4.0 million of our revenue to support worthy causes and communities across Nova Scotia. This included $750,000 to support the harness racing industry, $1.0 million to the Nova Scotia Gaming Foundation, $1.0 million to fund addiction services in the Office of Health Promotion, $1.1 million to fund responsible gaming initiatives, $50,000 to the Cultural Federation of Nova Scotia, $50,000 to the Exhibition Association of Nova Scotia and $100,000 to Sport Nova Scotia.

In addition to this direct revenue dedication, the employees of NSGC and its operators take pride in giving back to their communities and have donated their time to such important causes as the United Way, IWK Health Centre, the Kidney Foundation of Canada and the Blue Nose International Marathon. We also contributed more than $500,000 to non-profit organizations and community events across the province. The following is a partial list of community sponsorships of NSGC operators:

- Canada Summer Games, Team Atlantic
- Junior Achievement
- Kids Help Phone
- Open Door Homeless Shelter
- CIBC Run for the Cure
- Quebec Major Junior Hockey League
- 2004 Nova Scotia PGI Golf Tournament for Literacy
- Atlantic Ballet Theatre of Canada
- Atlantic Provinces Chamber of Commerce
- Sydney and Area Chamber of Commerce
- Metro Halifax Chamber of Commerce
- Festival de l'Escaouette
- Shakespeare by the Sea
- New Glasgow Music Jubilee
- Tim Horton's Children's Foundation Atlantic Invitational Golf Tournament
- Maritime NHLers For Kids
- Cape Breton Crimestoppers
- Canadian National Institute for the Blind
- Big Brothers Big Sisters
- East Coast Music Awards
- Nova Scotia Sports Hall of Fame

Summary of Results

I. Responsible

- Allocated more than $1 million to the development and delivery of a number of existing and new responsible gaming programs

- Established two new responsible gaming education programs for target groups
  - Caught in the Game
    - Reached 500 high school students
    - 99.5% of students said it was a good way to increase awareness of problem gambling
  - Know the Score
    - Reached about 5,000 post-secondary students in Nova Scotia
    - 90% said that they are better informed to make decisions about gambling

- Continued and enhanced Responsible Gaming Awareness Week (RGAW)
  - Targeted 5 communities representing 60% of Nova Scotians
  - Resulted in 65% of people in target communities being aware of responsible gaming activities
  - 87% of Nova Scotians supporting RGAW

- Developed a new information and player management tool for video lottery players
  - Play By Play
    - One of the first of its kind in the world
    - Distributed through all VLT retail sites

II. Progressive

- Researched and pursued a world-leading card-based responsible gaming device for VLTs
  - Pilot developed in 2004-05, executed in 2005-06

- Led the program development and research of a VLT self-exclusion program concept, which was based upon a unique model that would link to treatment

III. Accountable

- Full compliance with legislative and regulatory requirements. All incidents, as defined by regulation, were reported pursuant to the *Gaming Control Act*

- Maintained shareholder and stakeholder support and communications
  - Quarterly and Annual Reports to shareholder
  - Update to the Minister responsible on strategic/operational matters
  - Quarterly reporting meetings with operators
  - Regular meetings/discussions with stakeholder groups

- Exceeded the prior year's Payment to Province. The 2004-05 payment was $187.3 million, an increase of $12.2 million compared to $175.1 million in 2003-04

- Led the development of Government's first Gaming Strategy, released in April 2005

- Continued strong community support, including the following categories:
  - Employment - Approximately 1,100 employed directly
  - Commissions - Over $55 million in commissions for primarily small businesses
  - Sponsorships - $500,000 in sponsorships for community events
  - Other Contributions
    - $750,000 - Harness Racing Industry
    - $50,000 - Tourism, Culture and Heritage (Cultural Division)
    - $100,000 - Sport Nova Scotia
    - $50,000 - Exhibition Association of Nova Scotia

Management Responsibilities for Financial Reporting

These financial statements are the responsibility of the management of the Nova Scotia Gaming Corporation. They have been approved by its Board of Directors.

Management has prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

The gaming activities of the Nova Scotia Gaming Corporation are undertaken by operators acting on its behalf. These gaming activities are audited by independent auditors. The Corporation relies on the audit opinions of these independent auditors. The responsibility of the Auditor General of Nova Scotia is to express an independent opinion on whether the financial statements of the Nova Scotia Gaming Corporation are stated fairly, in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Nova Scotia Gaming Corporation maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

The Board of Directors oversees audit activities through its audit committee. The committee reviews matters related to accounting, auditing and internal control systems, and the financial statements and audit reports of the auditors of the Corporation and its operators.

CERTIFICATION FOR THE YEAR ENDED MARCH 31, 2005
We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure controls and procedures as of the end of the year covered by the 2004-2005 Annual Report and conclude that such disclosure controls and procedures have been effective.

Marie T. Mullally, CA
President and
Chief Executive Officer

Robert MacKinnon, CA
Director,
Corporate Services

Auditor's Report

NOVA SCOTIA
Office of the Auditor General

To the Members of the Legislative Assembly
of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 2005, the statement of income and payment to Province, the statement of retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General
Halifax, Nova Scotia
May 13, 2005

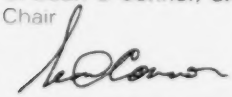
Balance Sheet

As at March 31, 2005 (in thousands)

ASSETS	2005	2004
Current		
Cash and Short-term Investments *(Note 3)*	$ 14,088	$ 14,770
Cash - restricted *(Note 2)*	2,193	5,113
Inventory, at cost	1,662	2,135
Prepaids	809	1,285
	18,752	23,303
Long-term		
Cash - Casino Capital Replacement Reserve *(Notes 3 and 10)*	3,145	5,287
Deferred charges *(Note 2)*	349	480
Investment in Atlantic Lottery Corporation Inc. *(Note 2)*	1	1
Investment in Interprovincial Lottery Corporation *(Notes 2 and 6)*	1	1
Capital assets *(Note 7)*	112,118	123,142
	115,614	128,911
	$ 134,366	$ 152,214
LIABILITIES		
Current		
Accounts payable	$ 1,420	$ 1,451
Deferred lottery revenue *(Note 2)*	404	358
Liabilities for unclaimed prizes *(Note 2)*	2,193	5,113
Capital obligation - current portion *(Note 8)*	37,924	37,394
Due to operators *(Note 13)*	8,250	11,462
Due to Atlantic Gaming Equipment Limited - current portion *(Note 9)*	16,473	14,808
Due to Nova Scotia Gaming Foundation	72	85
Due to Province of Nova Scotia	31,954	23,493
	98,690	94,164
Long-term		
Due to Atlantic Gaming Equipment Limited *(Note 9)*	12,886	21,352
Capital obligation *(Note 8)*	14,218	28,116
	27,104	49,468
EQUITY		
Casino Capital Replacement Reserve *(Note 10)*	8,572	8,582
	$ 134,366	$ 152,214

Commitments *(Notes 3, 5, 12 and 14)*
Subsequent Event *(Note 19)*

Approved on behalf of the Board,
C. Sean O'Connor, CA
Chair



See accompanying notes to the financial statements

Statement of Income and Payment to Province

For the Year Ended March 31, 2005 (in thousands)

Revenue	2005	2004
Ticket lottery *(Schedule I)*	$ 200,471	$ 206,281
Video lottery *(Schedule I)*	200,229	182,909
Halifax casino *(Schedule II)*	73,789	71,886
Sydney casino *(Schedule III)*	20,680	23,491
Other *(Schedule IV)*	210	264
	495,379	484,831
Expenses		
Ticket lottery *(Schedule I)*	164,447	167,892
Video lottery *(Schedule I)*	67,674	65,020
Halifax casino *(Schedule II)*	67,241	68,304
Sydney casino *(Schedule III)*	18,645	19,692
Responsible gaming	3,068	2,883
Other *(Schedule IV)*	4,001	3,227
	325,076	327,018
Net income	170,303	157,813
Win tax	16,999	17,257
Payment to Province	**$187,302**	**$175,070**

Statement of Retained Earnings

For the Year Ended March 31, 2005 (in thousands)

	2005	2004
Retained earnings, beginning of year	$ -	$ -
Net income	170,303	157,813
Net income paid to Province	(170,303)	(157,813)
Retained earnings, end of year	$ -	$ -

See accompanying notes to the financial statements

Statement of Cash Flows

For the Year Ended March 31, 2005 (in thousands)

	2005	2004
Operating		
Net Income	$ 170,303	$ 157,813
Allocation of income to Province	(170,303)	(157,813)
Depreciation and amortization	22,524	19,929
Net changes in working capital *(Note 16)*	6,331	537
	28,855	20,466
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(6,801)	(9,719)
Reduction of capital obligation	(13,368)	(10,900)
	(20,169)	(20,619)
Investing		
Purchases of capital assets, net of dispositions	(11,500)	(4,979)
Decrease in Casino Capital Replacement Reserve, net of cash decrease	2,132	860
	(9,368)	(4,119)
Net decrease in cash and cash equivalents	**(682)**	**(4,272)**
Cash, beginning of year	**14,770**	**19,042**
Cash, end of year	**$ 14,088**	**$ 14,770**

See accompanying notes to the financial statements

Notes to the Financial Statements

For the Year Ended March 31, 2005

1) Description of Business

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2) Accounting Policies

a) Basis of Presentation
The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Casino Revenues
In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues
In accordance with industry practice, gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

Receipts for lottery tickets sold prior to March 31, 2005 for draws held subsequent to that date are recorded as deferred revenue.

d) Video Lottery Revenues
In accordance with industry practice, video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Capital Assets
Capital Assets are stated at cost less accumulated amortization.

Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization of the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 10% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

f) Nova Scotia Gaming Foundation Contribution
VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

Notes to the Financial Statements

For the Year Ended March 31, 2005

g) Deferred Charges
The deferred charges relate to payments made to site holders to remove video lottery terminals from certain sites. These costs are being amortized on a straight-line basis over five years.

h) Long-term Investments
Investments in Atlantic Lottery Corporation Inc. and Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

i) Cash - restricted and Unclaimed Prizes
Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

j) Prize Expense
Prize expense for regional online games is recorded based on the theoretical prize expense for each game. The actual expense incurred each year will vary from the estimate based on the nature of games of chance. Over the long term, it is expected that the actual prize expense will approximate the theoretical expense.

k) Use of Estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3) Casino Nova Scotia

a) Operating Contract
i) Term and Structure
On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.
ii) Payments to Operator
The Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax ($92.0 million total, $50.6 million outstanding) and Sydney ($23.2 million total, $1.5 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney casino and a seven year term in the Halifax casino, with interest calculated monthly at 12% per annum on the original capital investment outstanding;
- an amount equal to not less than 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;

Notes to the Financial Statements

For the Year Ended March 31, 2005

- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;
- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above with interest calculated monthly at Prime + 1% per annum; and,
- an amount equal to 35% of cash available for distribution in Halifax.

iii) Operating Period

Net operating income earned by the Corporation is calculated based upon the operating period defined in the Operating Contract as January 1 – December 31. Any net operating income earned by the Corporation during the period January 1 – March 31, 2005 is subject to adjustment for the results of operations in the period April 1 – December 31, 2005.

b) Cash in Casino Accounts

Under the Operating Contract, the cash is managed by the Operator on behalf of the Corporation. The Corporation has included $8,328,000 (2004 - $8,586,000) in cash from the Casino Accounts on the Balance Sheet.

c) Casino Option Contract

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase the Halifax and the Sydney casino complexes, including capital assets and working capital for the price of $1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract. Triggering the option in either 2005 or 2010 automatically results in the termination and cancellation of the Operating Contract.

The Corporation is required to provide notice to the Operator between December 31, 2004 and March 31, 2005 if it intends to exercise the 2005 option. In March 2005, the Corporation advised the Operator that Government would not be exercising the 2005 option.

d) Casino Capital Replacement Reserve

A capital replacement reserve is intended to provide for replacement of casino capital assets. It is based on the following percentage of annual gross operating revenues of the casinos:

Halifax	1.5%
Sydney	4.5%
(April 1, 2004 to December 31, 2004)	
Sydney	9.5%
(January 1, 2005 to March 31, 2005)	

4) Atlantic Lottery Corporation Inc.

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25 per cent of the Atlantic Lottery Corporation Inc.

Notes to the Financial Statements

For the Year Ended March 31, 2005

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 4.56% to 5.64% maturing at various dates through November 2007. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

Notes to the Financial Statements

For the Year Ended March 31, 2005

5) Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

(in thousands)	2005	2004
The Department of Tourism, Culture and Heritage *(in support of the Nova Scotia Cultural Federations)*	$ 50	$ 50
The Department of Agriculture and Fisheries *(in support of the Exhibition Association of Nova Scotia)*	50	50
The Office of Health Promotion *(in support of Sport Nova Scotia)*	100	100
	$200	$200

These payments are special funds under the *Provincial Finance Act* established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the *Gaming Control Act*.

Bonus commissions of $988 (2004 - $3,000) were paid during the year to eight sporting and cultural organizations.

6) Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the *Canada Business Corporations Act*. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event - Celebration). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

Notes to the Financial Statements

For the Year Ended March 31, 2005

7) Capital Assets

(in thousands)	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Automotive	$ 935	$ 331	$ 604	$ 653
Computer equipment	4,697	3,164	1,533	2,134
Furniture and equipment	166	91	75	64
Computer software	65	22	43	25
Retail equipment	1,489	596	893	563
Leaseholds	548	303	245	282
Halifax casino assets	91,952	26,230	65,722	71,560
Sydney casino assets	23,206	11,956	11,250	11,740
Casino furniture and equipment	11,849	6,423	5,426	3,295
On-line gaming terminals	10,761	8,837	1,924	4,082
Video lottery terminals	52,065	27,662	24,403	28,744
	$197,733	$ 85,615	$112,118	$123,142

In 2004-05, the Corporation acquired capital assets of $7.9 million (2004 - $3.2 million) financed through Atlantic Gaming Equipment Limited, $0.0 million (2004 - $0.3 million) financed by Metropolitan Entertainment Group, and $4.5 million (2004 - $2.2 million) financed by the Casino Capital Replacement Reserve.

8) Capital Obligation

The Corporation has an obligation under the Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos. Future minimum obligations based on there being adequate cash flow are as follows:

(in thousands)	Halifax	Sydney	Total
2006	$ 38,980	$ 1,523	$ 40,503
2007	14,110	-	14,110
2008	1,104	-	1,104
Net minimum obligation	54,194	1,523	55,717
Less: amount representing interest at 12%	(3,555)	(20)	(3,575)
Present value of minimum obligation	50,639	1,503	52,142
Less: amount due within one year	(36,421)	(1,503)	(37,924)
Balance of obligation	$ 14,218	$ -	$ 14,218

9) Due to Atlantic Gaming Equipment Limited

The liability represents a portion of Atlantic Lottery Corporation Inc. (ALC) debt, the security for which is assets operated on behalf of NSGC. All amounts are payable by ALC and are due on or before November 2007.

Notes to the Financial Statements

For the Year Ended March 31, 2005

10) Casino Capital Replacement Reserve

(in thousands)	Halifax	Sydney	Total 2005	Total 2004
Cash balance, beginning of year	$ 4,115	$ 1,172	$ 5,287	$ 5,746
Funding	1,107	1,141	2,248	1,580
Interest	51	19	70	138
Capital asset purchases	(3,066)	(1,394)	(4,460)	(2,177)
Cash balance, end of year	2,207	938	3,145	5,287
Add: cumulative capital asset purchases	7,587	4,263	11,850	7,389
Less: accumulated amortization	(3,920)	(2,503)	(6,423)	(4,094)
Balance, end of year	$ 5,874	$ 2,698	$ 8,572	$ 8,582

11) Related Party Transactions

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

12) Harness Racing

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In March 2004, Government approved a contribution of $750,000 in 2004-05 to support the harness racing industry in Nova Scotia.

In March 2005, Government approved a $750,000 contribution in 2005-06 to support the harness racing industry in Nova Scotia.

13) Due to Operators

(in thousands)	2005	2004
Due to/(from) Atlantic Lottery Corporation Inc.	$ (2,759)	$ 498
Due from lottery operations	(4,495)	(4,474)
Due to lottery operations	7,631	7,417
Due to casino operations	7,873	8,021
	$ 8,250	$11,462

14) Other Commitments

The Corporation is required to make annual lease payments of approximately $122,114 over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately $987,532 over the next two years.

Notes to the Financial Statements

For the Year Ended March 31, 2005

15) Pensions

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Plan, a multi-employer plan. The plan is funded by equal employee and employer contributions. The employer accounts for the plan on a deferred contribution basis with contributions included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

16) Supplemental Cash Flow Information

Net change in working capital:

(in thousands)	2005	2004
Inventory	$ 473	$ 436
Prepaids	476	(881)
Deferred charges	131	36
Accounts payable	(31)	(775)
Deferred lottery revenue	46	(570)
Due to operators	(3,212)	(2,643)
Payable to Nova Scotia Gaming Foundation	(13)	11
Due to Province of Nova Scotia	8,461	4,923
	$ 6,331	$ 537

17) Comparative Figures

Some of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

18) Fair Value of Financial Assets and Financial Liabilities

The fair value of the Corporation's cash and short-term investments, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to Atlantic Gaming Equipment Limited, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts.

It is not practicable to estimate the fair value for capital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

19) Subsequent Event

On April 6, 2005, the Province of Nova Scotia outlined its strategy for the future of the gaming sector in "A Better Balance: Nova Scotia's First Gaming Strategy." This gaming strategy includes initiatives that will be implemented in 2005-06 and that will have the impact of reducing NSGC's net income in 2005-06 and future years. The estimated effect in 2005-06 is to reduce net income by $22.0 million and the estimated effect in 2006-07 and future years is to reduce net income by $43.0 million.

Schedule I

Nova Scotia Gaming Corporation
Atlantic Lottery Corporation Inc.
Ticket Lottery and Video Lottery Operating Results
For the Year Ended March 31, 2005 (in thousands)

	Ticket Lottery	Video Lottery	Total 2005	Total 2004
Ticket lottery sales	$200,471	$ -	$200,471	$206,281
Ticket lottery sales discounts	451	-	451	141
Prize expense	109,964	-	109,964	114,641
Net ticket lottery sales	90,056	-	90,056	91,499
Net video lottery sales	-	200,229	200,229	182,909
Total net sales	90,056	200,229	290,285	274,408
Retailer commissions	13,661	41,278	54,939	52,762
Ticket costs	5,212	1,948	7,160	6,257
	18,873	43,226	62,099	59,019
Gross profit	71,183	157,003	228,186	215,389
Operating expenses				
Advertising and promotion	3,869	-	3,869	3,158
Communications and relations	178	95	273	336
Depreciation and amortization	3,208	10,636	13,844	12,257
Development and recruitment	205	106	311	401
Equipment and maintenance	886	618	1,504	1,580
General and professional services	708	206	914	873
Lease	3,274	557	3,831	3,075
Movement and storage	607	88	695	504
Occupancy cost	843	451	1,294	1,270
Other expenses	163	70	233	179
Research and development	456	117	573	448
Retailer player support	258	100	358	423
Salaries and benefits	7,339	4,037	11,376	12,096
Supplies	181	75	256	212
Telecommunication	2,450	250	2,700	2,621
Travel and vehicle	451	306	757	988
Total operating expenses	25,076	17,712	42,788	40,421
Operating profit	46,107	139,291	185,398	174,968
Other income (expenses)	(480)	1,981	1,501	52
Profit before other distributions	45,627	141,272	186,899	175,020
HST expense	4,966	8,036	13,002	11,917
Federal contribution	956	681	1,637	1,605
Charity non-profit	50	-	50	35
Retailer bonus	3,631	-	3,631	5,185
Net Profit	**$ 36,024**	**$132,555**	**$168,579**	**$156,278**

Schedule II

Nova Scotia Gaming Corporation
Halifax Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2005 (in thousands)

	2005	2004
Revenue		
Casino revenue	$66,104	$64,664
Beverage, food and other revenue	7,685	7,222
	73,789	71,886
Expenses		
Amortization	5,838	5,838
Capital Replacement Reserve (*Note 3*)	1,107	1,078
General administration and marketing	10,499	9,468
Harmonized Sales Tax	4,265	4,557
Interest	5,080	6,664
Other expenses including cost of beverage and food	4,453	4,256
Premise expense	2,818	2,991
Salaries and benefits	19,960	20,519
Win tax	13,221	12,933
	67,241	68,304
Net income	**6,548**	**3,582**
Win tax	**13,221**	**12,933**
Total Payment to Province	**$19,769**	**$16,515**

Schedule III

Nova Scotia Gaming Corporation
Sydney Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2005 (in thousands)

	2005	2004
Revenue		
Casino revenue	$18,890	$21,618
Beverage, food and other revenue	1,790	1,873
	20,680	23,491
Expenses		
Amortization	490	490
Capital Replacement Reserve (*Note 3*)	1,142	502
General administration and marketing	2,386	2,512
Harmonized Sales Tax	1,195	1,286
Interest	252	523
Operator fee (*Note 3*)	1,076	1,334
Other expenses including cost of beverage and food	1,272	1,202
Premise expense	700	709
Salaries and benefits	6,354	6,810
Win tax	3,778	4,324
	18,645	19,692
Net income	**2,035**	**3,799**
Win tax	**3,778**	**4,324**
Total Payment to Province	**$ 5,813**	**$ 8,123**

Schedule IV

Nova Scotia Gaming Corporation
Other Revenues and Expenses
For the Year Ended March 31, 2005 (in thousands)

	2005	2004
Other Revenues	**$ 210**	**$ 264**
Other Expenses		
Special payments and bonus commissions (*Note 5*)	$ 201	$ 203
Nova Scotia Harness Racing Fund contribution (*Note 12*)	750	750
Management Expenses		
Advertising	26	5
Amortization	23	27
Directors fees	87	73
Harmonized Sales Tax	327	220
Membership dues	10	11
Occupancy taxes	7	6
Office and miscellaneous	67	71
Office equipment	45	47
Periodicals	20	13
Postage and freight	14	8
Printing and stationery	27	20
Professional and other fees	824	498
Rent	122	122
Salaries and benefits	1,280	1,039
Telecommunications	25	21
Training	54	32
Travel	92	61
	3,050	2,274
Total Other Expenses	**$ 4,001**	**$ 3,227**

responsible progressive accountable

Bank of Montreal Building
5151 George Street
Suite 800
PO Box 1501
Halifax, Nova Scotia
B3J 2Y3

www.gamingcorp.ns.ca